

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 27, 2006

PETITION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2006-00075

For Certain Initial Determinations with  
Regard to Virginia Code § 56-585 G

SUPPLEMENTAL ORDER FOR NOTICE AND HEARING

This Order supplements the July 13, 2006 Order for Notice and Hearing ("July 13 Order") that we previously issued concerning the Petition filed on June 30, 2006, by the Virginia Electric and Power Company ("Dominion Virginia Power" or "Company") with the State Corporation Commission ("Commission"). In that Petition, the Company seeks certain preliminary determinations with regard to § 56-585 G of the Code of Virginia. These determinations relate to a coal-fired generation facility that the Company may seek to construct in the coalfield region of Virginia ("Coal Plant" or "Plant"). The July 13 Order required the Company to publish notice of its application, and to serve notice of the application to specific governmental officials, throughout its service area.

The Company states in its Petition that the preliminary site selected for the Coal Plant is in Virginia City, Virginia, just outside of St. Paul, Virginia, in Wise County. The Coal Plant's estimated output will be 500-600 MW, fuel supply for the Coal Plant will consist primarily of run-of-mine coal from various mines in the coalfield region of the Commonwealth, and the Plant will also allow the use of opportunity fuels such as coal waste and biomass (wood chips). The preliminary site is not within Dominion Virginia Power's service area.

Significantly, however, the Petition before us is not an application to construct and operate any such Plant. As noted above and also at length in our July 13 Order in this matter, the

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Petition seeks *preliminary* determinations relating to the interpretation and application of § 56-585 G of the Code of Virginia: Specifically, the Company has requested that the Commission issue an order that (1) approves a particular calculation and implementation of an Allowance for Funds Used During Construction rate for the period during the planning and construction of a Plant pursuant to Virginia Code § 56-585 G, (2) approves a "risk premium" during the commercial operation of the facility, and (3) grants exemptions from certain portions of the electric utility bidding rules found at 20 VAC 5-301-10 *et seq.*

Since this proceeding is the Company's first step in determining whether it will choose to seek siting approval for the possible Coal Plant, individuals and local governments within Wise County may have an interest in participating in this proceeding—either as formal parties (respondents) or as public witnesses under the Commission's Rules of Practice and Procedure. Or, they may choose to monitor this proceeding by means of the Commission's web site, or otherwise obtain the pleadings and other documents filed in this case through the offices of the Clerk of the Commission.

Thus, we will, by this order, amend Ordering Paragraphs (11) and (12) of our July 13, 2006 Order for Notice and Hearing to ensure that notice of this proceeding is promptly made available through newspapers serving Wise County residents, and that local government officials in Wise County are formally served with notice of this proceeding.

NOW UPON CONSIDERATION of the foregoing, the Commission is of the opinion and finds that the procedural schedule established in the Commission's July 13, 2006 Order for Notice and Hearing should be amended to require the Company to furnish notice of this proceeding via newspaper publication to the public within Wise County, Virginia, and formal notice to the local government officials therein, all as prescribed below.

Accordingly, IT IS HEREBY ORDERED THAT:

(1) Ordering Paragraphs (11) and (12) of the Commission's July 13, 2006 Order for Notice and Hearing are hereby amended as follows:

(11) On or before August 7, 2006, the Company shall cause the ~~following~~ notice below to be published as display advertising (not classified) in newspapers of general circulation throughout the Company's service territory within the Commonwealth of Virginia. On or before August 16, 2006, the Company shall also cause the notice below to be published as display advertising (not classified) in newspapers of general circulation throughout Wise County, Virginia.

NOTICE TO THE PUBLIC OF  
VIRGINIA ELECTRIC AND POWER COMPANY'S  
PETITION FOR CERTAIN INITIAL  
DETERMINATIONS  
WITH REGARD TO VIRGINIA CODE § 56-585 G

On June 30, 2006, Virginia Electric and Power Company ("Dominion Virginia Power" or "Company") filed a Petition with the State Corporation Commission ("Commission") seeking certain initial determinations with regard to § 56-585 G of the Code of Virginia. By way of background, the Company states as follows: (1) "[i]n 2004, the General Assembly amended the Virginia Electric Utility Restructuring Act by adding a new subsection, Virginia Code § 56-585 G ('the Provision'), regarding construction of a coal-fired generation facility in the coalfield region of Virginia ('Coal Plant' or 'Plant');" and (2) "[t]he Provision states that its purpose is '[t]o ensure a reliable and economic supply of electricity, and to promote economic development,' and it declares that the construction of a Plant 'that utilizes energy resources located in the Commonwealth is in the public interest, and in determining whether to approve such [a] facility, the [State Corporation] Commission shall liberally construe the provisions of this title.'"

Dominion Virginia Power asserts that it "has taken a number of initial steps that will enable swift progress on

the Plant if the Company decides to move forward with the project and it receives the necessary approvals." Dominion Virginia Power further explains that "[i]n May 2006, the Company announced that the preliminary site selected for the Coal Plant is in Virginia City, Virginia, just outside of St. Paul, Virginia, in Wise County." The Coal Plant's "estimated output will be 500-600 MW," fuel supply for the Coal Plant "will consist primarily of run-of-mine coal from various mines in the coalfield region of the Commonwealth," and the Plant "will also allow the use of opportunity fuels such as coal waste and biomass (wood chips)."

The Company emphasizes that it is not now requesting the Commission to approve construction of the Plant: "[T]he present filing is not a petition for approval to construct a Plant under the Provision. Rather, it is a request that the Commission decide important prerequisite issues that will greatly facilitate the decision-making process of [Dominion Virginia Power], the Petitioner herein, with regard to whether the Company should later seek approval to build a Plant." Specifically, "the Company respectfully requests that the Commission issue an order that (1) approves the calculation and implementation of an [AFUDC] rate for the period during the planning and construction of a Plant pursuant to Virginia Code § 56-585 G, (2) approves a 'risk premium' during the commercial operation of the facility, and (3) grants exemptions from certain portions of the electric utility bidding rules found at 20 VAC 5-301-10 *et seq.* ('Rules')."

The Company "has determined that a return on equity of 12% is required for purposes of calculating AFUDC for the period during the planning and construction of the Plant." The Company "has also determined that an appropriate return on equity applicable to this Plant during its commercial operation life requires an additional 200 basis points to the return on common equity periodically determined for the Company in general rate cases for its distribution rates, following termination of capped rates." In reference to the bidding Rules, Dominion Virginia Power asserts that "although the Company may be prepared to accept the numerous risks associated with a Coal Plant if it owns and operates that Plant, assuming appropriate regulatory recognition of those risks, it would simply not be prudent to incur long-term contractual

obligations to a third party through a power purchase agreement under such circumstances."

A copy of the Petition and the Commission' Order for Notice and Hearing, as well as other documents now or hereafter filed in this matter, shall be available for public inspection in the Commission's Document Control Center located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. A copy of the Petition also may be obtained by requesting a copy from counsel for the Company, Edward L. Flippen, Esquire, McGuireWoods, LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030. In addition, copies of the Commission's Order For Notice and Hearing and other orders entered in this docket, the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website at <http://www.scc.virginia.gov/caseinfo.htm>.

A public hearing shall be convened on October 17, 2006, at 10:00 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive comments from members of the public and to receive evidence in this docket. Any person not participating as a respondent as provided for below may give oral testimony concerning this case as a public witness at the hearing. Public witnesses desiring to make statements at the public hearing need only appear in the Commission's Second Floor courtroom in the Tyler Building at the address set forth above prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

Any interested person may participate as a respondent in this proceeding by filing, on or before September 18, 2006, an original and fifteen (15) copies of a notice of participation with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall simultaneously serve a copy of the notice of participation on counsel to the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest of the

respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested parties shall refer in all of their filed papers to Case No. PUE-2006-00075. Interested persons should obtain a copy of the Commission's Order for Notice and Hearing for additional information about participation as a respondent.

On or before September 18, 2006, any interested person may file with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments in this proceeding and shall simultaneously serve a copy on counsel to the Company at the address set forth above. On or before September 18, 2006, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website:  
<http://www.scc.virginia.gov/caseinfo.htm>.

#### VIRGINIA ELECTRIC AND POWER COMPANY

(12) On or before August 7, 2006, the Company shall forthwith serve a copy of its Petition and this Order for Notice and Hearing on the Chairman of the Board of Supervisors and county attorney of each county and on the Mayor or Manager of every city and town (or on equivalent officials in counties, towns, and cities having alternate forms of government) in which Dominion Virginia Power provides service. Service shall be made by personal delivery or by first-class mail, postage prepaid, to the customary place of business or residence of the person served. On or before August 16, 2006, the Company shall also and forthwith serve a copy of its Petition and this Order for Notice and Hearing on the Chairman of the Board of Supervisors and county attorney of Wise County, Virginia, and on the Mayor or Manager of every city and town (or on equivalent officials in counties, towns, and cities having alternate forms of government)

within Wise County, Virginia. Service shall be made by personal delivery or by first-class mail, postage prepaid, to the customary place of business or residence of the person served.

(2) This matter is continued pending further Order of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Edward L. Flippen, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030; Donald G. Owens, Esquire, James, C. Roberts, Esquire, and Thomas C. Walker, Jr., Esquire, Troutman Sanders LLP, Troutman Sanders Building, 1001 Haxall Point, P.O. Box 1122, Richmond, Virginia 23218-1122; and the Commission's Office of General Counsel and Divisions of Energy Regulation and Public Utility Accounting.